

FAMEGLOW HOLDINGS LIMITED

亮晴控股有限公司

(Incorporated in the Cayman Islands with limited liability)

Stock Code : 8603



INTERIM REPORT
2020

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*This report, for which the directors (the “**Director(s)**”) of Fameglow Holdings Limited (the “**Company**”, together with its subsidiaries, the “**Group**” or “**We**”) collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on the GEM of the Stock Exchange (the “**GEM Listing Rules**”) for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this report is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this report misleading.*

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yip Chun Kwok Danny, MH (*Chairman*)

Ms. Fu Chi Ching (*Chief Executive Officer*)

Independent Non-executive Directors

Mr. Chan Sing Nun

Mr. Khoo Wun Fat William

Mr. Yu Chi Wing

Audit Committee

Mr. Chan Sing Nun (*Chairman*)

Mr. Khoo Wun Fat William

Mr. Yu Chi Wing

Remuneration Committee

Mr. Khoo Wun Fat William (*Chairman*)

Mr. Chan Sing Nun

Ms. Fu Chi Ching

Nomination Committee

Mr. Yip Chun Kwok Danny, MH (*Chairman*)

Mr. Khoo Wun Fat William

Mr. Yu Chi Wing

AUTHORISED REPRESENTATIVES

Mr. Yip Chun Kwok Danny, MH

Ms. Fu Chi Ching

COMPANY SECRETARY

Mr. Li Chi Lok

COMPLIANCE OFFICER

Ms. Fu Chi Ching

AUDITOR

Elite Partners CPA Limited

Certified Public Accountants

10/F, 8 Observatory Road

Tsim Sha Tsui

Kowloon

Hong Kong

COMPLIANCE ADVISER

Sorrento Capital Limited

11/F, The Wellington

198 Wellington Street

Central, Hong Kong

REGISTERED OFFICE

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman, KY1-1111

Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Unit 304, Global Gateway Tower

63 Wing Hong Street

Cheung Sha Wan

Kowloon, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

Conyers Trust Company (Cayman) Limited

Cricket Square

Hutchins Drive

P.O. Box 2681

Grand Cayman KY1-1111

Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

Level 54, Hopewell Centre

183 Queen's Road East

Hong Kong

PRINCIPAL BANKER

Bank of Communications Co., Ltd.

Hong Kong Branch

20 Pedder Street

Central, Hong Kong

COMPANY'S WEBSITE

www.fameglow.com

STOCK CODE

8603

FINANCIAL HIGHLIGHTS

Revenue of the Group for the six months ended 30 September 2020 amounted to approximately HK\$35.3 million (six months ended 30 September 2019: approximately HK\$53.9 million).

The Group incurred net loss of approximately HK\$14.4 million for the six months ended 30 September 2020 (six months ended 30 September 2019: net loss of approximately HK\$4.3 million).

The board of directors (the “**Board**”) did not recommend a payment of dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

The Board is pleased to report the unaudited condensed consolidated financial results of the Group for the six months ended 30 September 2020, together with the comparative unaudited figures for the corresponding period in 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

| | NOTES | Six months ended 30 September | |
|--|-------|----------------------------------|---------------------------------|
| | | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) |
| Revenue | 4 | 35,262 | 53,891 |
| Cost of inventories and consumables | | (6,062) | (5,443) |
| Other income | 5 | 7,496 | 775 |
| Staff costs | | (18,433) | (23,426) |
| Rental and related expenses | | (796) | (2,006) |
| Depreciation of property, plant and equipment | | (5,813) | (4,021) |
| Depreciation of right-of-use assets | | (8,504) | (6,891) |
| Other expenses | | (16,431) | (15,064) |
| Finance costs | | (1,064) | (1,627) |
| Loss before taxation | 6 | (14,345) | (3,812) |
| Taxation | 7 | (40) | (484) |
| Loss and total comprehensive expense for the period | | (14,385) | (4,296) |
| Loss per share | | | |
| – Basic (HK cents) | 9 | (1.80) | (0.54) |

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2020

| | NOTES | As at 30 September 2020 HK\$'000 (Unaudited) | As at 31 March 2020 HK\$'000 (Audited) |
|--|-------|--|--|
| Non-current assets | | | |
| Property, plant and equipment | 10 | 62,500 | 64,957 |
| Right-of-use assets | 10 | 61,171 | 42,246 |
| Deposits for acquisition of property, plant and equipment | | 4,035 | – |
| Deposits and prepayments | | 6,304 | 2,956 |
| Deferred costs | | 282 | 328 |
| | | 134,292 | 110,487 |
| Current assets | | | |
| Inventories | | 5,771 | 5,493 |
| Trade receivables | 11 | 5,194 | 10,175 |
| Deposits and prepayments | | 34,335 | 30,538 |
| Deferred costs | | 2,194 | 2,529 |
| Tax recoverable | | 736 | 736 |
| Bank balances and cash | | 39,739 | 39,218 |
| | | 87,969 | 88,689 |
| Current liabilities | | | |
| Trade payables | 12 | 32 | 212 |
| Other payables and accruals | | 4,244 | 7,190 |
| Deferred revenue | | 102,677 | 92,181 |
| Tax payable | | 429 | 828 |
| Bank borrowings | | 25,119 | 14,404 |
| Lease liabilities | | 15,733 | 11,765 |
| | | 148,234 | 126,580 |
| Net current liabilities | | (60,265) | (37,891) |
| Total assets less current liabilities | | 74,027 | 72,596 |

| | | As at 30 September 2020 HK\$'000 (Unaudited) | As at 31 March 2020 HK\$'000 (Audited) |
|--------------------------|----|---|--|
| Non-current liabilities | | | |
| Lease liabilities | | 46,327 | 30,551 |
| Provisions | | 1,315 | 1,315 |
| Deferred tax liabilities | | 1,901 | 1,861 |
| | | 49,543 | 33,727 |
| Net assets | | 24,484 | 38,869 |
| Capital and reserves | | | |
| Share capital | 13 | 8,000 | 8,000 |
| Reserves | | 16,484 | 30,869 |
| Total equity | | 24,484 | 38,869 |

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

| | Share capital HK\$'000 | Share premium HK\$'000 | Other reserve HK\$'000 | (Accumulated losses)/ retained profits HK\$'000 | Total HK\$'000 |
|--|------------------------------|------------------------------|------------------------------|---|-------------------|
| As at 1 April 2020 (audited) | 8,000 | 64,107 | (21,026) | (12,212) | 38,869 |
| Loss and total comprehensive expense for the period | - | - | - | (14,385) | (14,385) |
| As at 30 September 2020 (unaudited) | 8,000 | 64,107 | (21,026) | (26,597) | 24,484 |
| As at 1 April 2019 (audited) | 8,000 | 64,107 | (21,026) | 19,646 | 70,727 |
| Loss and total comprehensive expense for the period | - | - | - | (4,296) | (4,296) |
| As at 30 September 2019 (unaudited) | 8,000 | 64,107 | (21,026) | 15,350 | 66,431 |

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

| | Six months ended 30 September | |
|--|----------------------------------|---------------------------------|
| | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) |
| NET CASH FROM OPERATING ACTIVITIES | 4,609 | 10,005 |
| NET CASH USED IN INVESTING ACTIVITIES | (7,212) | (23,547) |
| NET CASH FROM (USED IN) FINANCING ACTIVITIES | 3,124 | (7,085) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 521 | (20,627) |
| CASH AND CASH EQUIVALENTS AS AT 1 APRIL | 39,218 | 64,375 |
| CASH AND CASH EQUIVALENTS AS AT 30 SEPTEMBER represented by bank balances and cash | 39,739 | 43,748 |

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2020

1. GENERAL INFORMATION

Fameglow Holdings Limited (the “**Company**”) was incorporated in the Cayman Islands as an exempted company with limited liability on 2 March 2018 under the Companies Law Chapter 22 of the Cayman Islands. The shares of the Company were listed on GEM of The Stock Exchange on 15 October 2018 (the “**Listing**”). The immediate holding company of the Company is Equal Joy Holdings Limited (“**Equal Joy**”), which is incorporated in the British Virgin Islands (“**BVI**”), and is 50% and 50% owned by Ms. Fu Chi Ching (“**Ms. Fu**”) and Mr. Yip Chun Kwok Danny (“**Mr. Yip**”), spouse of Ms. Fu (Mr. Yip together with Ms. Fu collectively known as the “**Controlling Shareholders**”). The addresses of the registered office and the principal place of business of the Company are disclosed in the section headed “Corporate Information” of this interim report.

The Company acts as an investment holding company and its subsidiaries are principally engaged in provision of treatment services and sale of skincare products in Hong Kong. The Company and its subsidiaries hereinafter referred to as the “**Group**”. The condensed consolidated financial statements are presented in Hong Kong Dollar (“**HK\$**”) which is also the functional currency of the Company and its principal subsidiaries.

2. BASIS OF PREPARATION

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard (“**HKAS**”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) as well as the applicable disclosure requirements of Chapter 18 of the Rules Governing the Listing of Securities on the GEM of the Stock Exchange.

As at 30 September 2020, the Group recorded net current liabilities of HK\$60,265,000. The net current liabilities arose mainly from the long-term bank borrowings (with maturity dates over one year) amounting to HK\$7,683,000 being classified as current liabilities as at 30 September 2020, due to the overriding right of demand clause as stipulated in the facility agreements of the bank borrowings. The directors of the Company believe that these loan facilities (including those unutilised bank facilities) will continue to be made available to the Group and will not be withdrawn by the banks within the next twelve months from the end of each of the reporting period. In addition, as at 30 September 2020, included in the current liabilities of the Group were deferred revenue of HK\$102,677,000, which represented services to be performed and shall not result in any cash outflow of the Group eventually.

Taking into account the above consideration, the directors of the Company are satisfied that the Group will have sufficient financial resources to meet its financial obligations as they fall due in the next twelve months from the end of the reporting period. Accordingly, the condensed consolidated financial statements have been prepared on a going concern basis.

3. SIGNIFICANT ACCOUNTING POLICES

The condensed consolidated financial statements have been prepared on the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Other than changes in accounting policies resulting from application of new and amendments to HKFRSs, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 September 2020 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2020.

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 April 2020 for the preparation of the Group's condensed consolidated financial statements:

| | |
|--|-----------------------------------|
| Amendments to HKFRS 3 | Definition of Business |
| Amendments to HKFRS 16 | COVID-19-Related Rent Concessions |
| Amendments to HKAS 1 and HKAS 8 | Definition of Material |
| Amendments to HKFRS 9, HKAS 39 and HKFRS 7 | Interest Rate Benchmark Reform |

Except as described below, the application of the new and amendments to HKFRSs in the current period has had no material impact on the Group's financial statements for the current and prior periods and/or on the disclosures set out in these condensed consolidated financial statements.

Amendment to HKFRS 16 COVID-19-Related Rent Concessions

Amendment to HKFRS 16 provides a practical expedient for lessees to elect not to apply lease modification accounting for rent concessions arising as a direct consequence of the COVID-19 pandemic. The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if (i) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change; (ii) any reduction in lease payments affects only payments originally due on or before 30 June 2021; and (iii) there is no substantive change to other terms and conditions of the lease. The amendment is effective retrospectively for annual periods beginning on or after 1 June 2020 with earlier application permitted.

During the six months ended 30 September 2020, certain monthly lease payments for the leases of the Group's medical aesthetic centres have been reduced by the lessors as a result of the COVID-19 pandemic and there are no other changes to the terms of the leases. The Group has early adopted Amendment to HKFRS 16 on 1 April 2020 and elected not to apply lease modification accounting for all COVID-19 pandemic rent concessions granted by the lessors during the six months ended 30 September 2020. Accordingly, COVID-19-related rent concessions of HK\$808,000 have been accounted for as a reduction in the variable lease payments by derecognising part of the lease liabilities and crediting to profit or loss for the six months ended 30 September 2020, and was included in "rental and related expenses in the condensed consolidated statement of profit or loss and other comprehensive income".

4. REVENUE AND SEGMENTAL INFORMATION

Revenue

Revenue represents the net amounts received and receivable arising from the provision of treatment services, sales of skincare products and the provision of training services in Hong Kong.

| | Six months ended 30 September | |
|--|--------------------------------------|-------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Revenue from the provision of treatment services | 33,811 | 51,302 |
| Sale of skincare products | 482 | 2,004 |
| Revenue from expiry of prepaid treatments | 798 | 585 |
| Revenue from the provision of training services | 171 | – |
| | 35,262 | 53,891 |

Segment information

The financial information reported to the executive directors of the Company, being the chief operating decision maker ("CODM") for the purpose of resources allocation and performance assessment, the CODM reviews the overall results and financial position of the Group as a whole prepared based on same accounting policies. Accordingly, the Group has one single operating segment and no further discrete financial information nor analysis of this single segment is presented.

5. OTHER INCOME

| | Six months ended 30 September | |
|---|-------------------------------|-------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Government subsidies | 6,512 | – |
| Interest income from life insurance contracts | 609 | 584 |
| Interest income from bank deposits | 220 | 21 |
| Interest income from rental deposit | 84 | 124 |
| Others | 71 | 46 |
| | 7,496 | 775 |

6. LOSS BEFORE TAXATION

Loss before taxation has been arrived at after charging:

| | Six months ended 30 September | |
|---|-------------------------------|---------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Directors' remuneration | 1,684 | 1,994 |
| Other staff costs: | | |
| Salaries, wages, commission, bonuses and allowances | 16,130 | 20,695 |
| Retirement benefit scheme contributions | 619 | 737 |
| | 18,433 | 23,426 |
| Consultancy fee for doctors (included in other expenses) | 1,700 | 1,977 |
| Operating leases payments in respect of: | | |
| – Short-term leases | 78 | 401 |
| – Contingent rent | – | 81 |

7. TAXATION

| | Six months ended 30 September | |
|-------------------|-------------------------------|-------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Hong Kong: | | |
| Current tax | – | 145 |
| Deferred tax | 40 | 339 |
| Income tax charge | 40 | 484 |

On 21 March 2018, the Hong Kong Legislative Council passed The Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduced the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day.

Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying group entity will be taxed at 8.25%, and profits above HK\$2,000,000 will be taxed at 16.5%. The profits of corporations not qualifying for the two-tiered profits tax rates regime will continue to be taxed at a flat rate of 16.5%.

For the six months ended 30 September 2020, Hong Kong Profits Tax is calculated at 8.25% on the first HK\$2,000,000 of the estimated assessable profits of one of the subsidiaries of the Company and at 16.5% on the estimated assessable profits above HK\$2,000,000 of that subsidiary. The profits of other group entities not qualified for the two-tier profits tax regime will continue to be taxed at a flat rate of 16.5%. (six months ended 30 September 2019: same).

8. DIVIDEND

The Board did not recommend a payment of dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

9. LOSS PER SHARE

The calculation of the basic loss per share attributable to the owners of the Company is based on the following data:

| | Six months ended 30 September | |
|--|-------------------------------|-------------|
| | 2020 | 2019 |
| | HK\$'000 | HK\$'000 |
| | (Unaudited) | (Unaudited) |
| Loss for the period for the purposes of basic loss per share | (14,385) | (4,296) |

| | Six months ended 30 September | |
|--|-------------------------------|-------------|
| | 2020 | 2019 |
| | '000 | '000 |
| | (Unaudited) | (Unaudited) |
| Weighted average number of ordinary shares in issue for the purposes of basic loss per share | 800,000 | 800,000 |

No diluted loss per share for both periods was presented as there were no potential ordinary shares in issue during both periods.

10. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND RIGHT OF USE ASSETS

For the six months ended 30 September 2020, the Group acquired property, plant and equipment with aggregate cost of approximately HK\$3,356,000 (six months ended 30 September 2019: HK\$20,913,000).

For the six months ended 30 September 2020, the Group entered into lease agreements for use of properties. On lease commencement, the Group recognised the additions to right-of-use assets of approximately HK\$27,430,000 (six months ended 30 September 2019: HK\$12,991,000).

11. TRADE RECEIVABLES

The customers usually settle the prepaid packages by credit cards and electronic payment system ("EPS"). For credit card payments, the banks will normally settle the amounts received, net of handling charges, within 90-180 days after trade date. Payment by EPS will normally be settled within one to two days. In addition, the trade receivables also include receivable from a department store for collecting customers' receipt of the sales counters on behalf of the Group where the credit period is 30 days.

An ageing analysis of the trade receivables, based on the invoice date, which approximate the revenue recognition date, is as follows:

| | As at 30 September 2020 HK\$'000 (Unaudited) | As at 31 March 2020 HK\$'000 (Audited) |
|--------------|---|---|
| 0 – 30 days | 1,574 | 3,831 |
| 31 – 90 days | 1,801 | 3,099 |
| Over 90 days | 1,819 | 3,245 |
| | 5,194 | 10,175 |

As at 30 September 2020 and 31 March 2020, included in the Group's trade receivables balance are debtors with aggregate carrying amount of HK\$378,000 and HK\$988,000 respectively which are past due as at the reporting date. Out of the past due balances, HK\$42,000 and HK\$Nil have been past due 31 days or more as at 30 September 2020 and 31 March 2020 respectively. The directors of the Company do not consider the amount as significant increase in credit risk with reference to the historical records, past experience and also available reasonable and supportive forward-looking information of these debtors, and the recurring overdue records of these debtors with satisfactory settlement history.

In order to minimise the credit risk, the directors of the Company have delegated a team responsible for monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group measures lifetime ECL on trade receivables on individual basis at the end of the reporting period.

In view of the business nature, management of the Group considers that the credit risks of trade receivables are insignificant after considering the credit quality and financial ability of the relevant financial institutions and there is no history of default in settlement by them. In the opinion of the management of the Group, the risk of default by these counterparties is not significant and the Group assessed that the ECL on these balances are insignificant on 30 September 2020 and thus no impairment loss allowance was recognised for the six months ended 30 September 2020.

12. TRADE PAYABLES

The credit period of trade payables is ranging from 0 to 30 days.

An ageing analysis of trade payables, based on invoice date, is as follows:

| | As at 30 September 2020 HK\$'000 (Unaudited) | As at 31 March 2020 HK\$'000 (Audited) |
|-------------|---|---|
| 0 – 30 days | 32 | 212 |

13. SHARE CAPITAL

Details of the Company's shares are disclosed as follows:

| | Number of shares | Amount HK\$'000 |
|---|-----------------------------|----------------------------|
| Ordinary shares of HK\$0.01 each | | |
| Authorised: | | |
| At 1 April 2019, 31 March 2020, 1 April 2020 and 30 September 2020 | 10,000,000,000 | 100,000 |
| Issued and fully paid: | | |
| At 1 April 2019, 31 March 2020, 1 April 2020 and 30 September 2020 | 800,000,000 | 8,000 |

The new shares issued rank pari passu in all aspects with existing shares.

14. RELATED PARTY TRANSACTIONS

Compensation of key management personnel

The remuneration of key management personnel during the six months ended 30 September 2020 and 2019, respectively were as follows:

| | Six months ended 30 September | |
|--------------------------|---------------------------------|---------------------------------|
| | 2020 HK\$'000 (Unaudited) | 2019 HK\$'000 (Unaudited) |
| Short-term benefits | 2,066 | 2,881 |
| Post-employment benefits | 27 | 36 |
| | 2,093 | 2,917 |

16. EVENT AFTER THE REPORTING PERIOD

Since January 2020, the outbreak of Coronavirus Disease 2019 ("COVID-19") has impacted the global business environment. Due to the COVID-19 pandemic, the Group temporarily closed its medical aesthetic centres during the periods from 10 April 2020 to 7 May 2020 and 15 July 2020 to 27 August 2020 in accordance with the disease prevention measures and arrangements under the Prevention and Control of Disease Ordinance (Cap. 599F).

Pending the development and spread of COVID-19 subsequent to the date of these consolidated financial statements, further changes in economic conditions for the Group arising thereof may have impact on the financial results of the Group, the extent of which could not be estimated as at the date of these consolidated financial statements.

The Group will keep continuous attention on the situation of the COVID-19 and react actively to its impact to the financial position and operating results of the Group. Save as disclosed above, there was no significant event occurred after the reporting period.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Group is a medical aesthetic service provider in Hong Kong and operates five medical aesthetic centres in prime locations of Causeway Bay (the “**CWB Centre**” and the “**CWB Centre 2**”), Tsim Sha Tsui (the “**TST Centre**” and the “**TST Centre 2**”) and Central (the “**Central Centre**”) providing non-surgical medical aesthetic services. We strive to provide holistic treatment solutions to our clients through our non-surgical medical aesthetic services, traditional beauty services and sale of skincare products to help our clients maintain and enhance their skin conditions and physical appearance.

The outlook of the medical aesthetic services industry remains optimistic with market demand growing fast in recent years, owed mainly to the increasing affordability and public acceptance of related services.

In order to seize the opportunity created by increasing customer demands, we expanded our operation scale by opening our Central Centre, CWB Centre 2 and TST Centre 2 during the year ended 31 March 2020 to facilitate the continuous growth of our business. The Group believes that the expansion will enable us to deepen our market penetration in Hong Kong and improve our Group’s profitability. The Group will also take advantage of its enlarging geographical presence to attract new and more diverse customers. Along with the strategic expansion of its medical aesthetic centre network, the Group will sharpen its competitive advantage by extending the spectrum of our treatment services offered. During the six months ended 30 September 2020, the Group further expanded its business coverage to provide training courses in relation to laser and intense pulsed light treatments which are accredited under the Hong Kong Qualification Framework.

However, for the six months ended 30 September 2020, the business environment in Hong Kong was adversely affected by the outbreak of COVID-19, the Group's revenue amounted to approximately HK\$35.3 million, representing a decrease of approximately HK\$18.6 million or 34.5% as compared with the corresponding period of 2019. Loss for the period amounted to approximately HK\$14.4 million, while loss for the corresponding period amounted to approximately HK\$4.3 million. The Directors were of the view that the net loss was primarily attributable to the decrease in revenue as a result of the temporary closure of medical aesthetic centres of the Group for periods of totalling 72 days during the six months ended 30 September 2020 in accordance with the disease prevention measures and arrangements under the Prevention and Control of Disease Ordinance (Cap. 599F).

PROSPECTS

Despite the outlook of medical aesthetic services remains positive, the outbreak of COVID-19 since early 2020 weakened clients' desire and willingness to undergo medical aesthetic treatments which adversely affected the revenue of the Group. The Group will closely monitor the market conditions and will intensify its response and elaborate sustainable development strategies to overcome the current unfavourable environment.

Nevertheless, the Group is confident of its capability to deliver quality service to our clients. Moving forward, the Group will apply its strengths, build on its solid customer base and established reputation to deliver stable business development and maximise the shareholders' value.

FINANCIAL REVIEW

Revenue

The revenue of the Group amounted to approximately HK\$35.3 million for the six months ended 30 September 2020 and approximately HK\$53.9 million for the six months ended 30 September 2019 which represented a decrease of approximately 34.5% as compared with the corresponding period of 2019. The decrease was primarily attributable to the temporary closure of medical aesthetic centres of the Group for periods of totalling 72 days during the six months ended 30 September 2020 in accordance with the disease prevention measures and arrangements under the Prevention and Control of Disease Ordinance (Cap. 599F).

Cost of inventories and consumables

Cost of inventories and consumables amounted to approximately HK\$6.1 million and HK\$5.4 million for the six months ended 30 September 2020 and 2019 respectively. The increase was mainly attributable to the promotion of high-cost treatments.

Other income

Other income amounted to approximately HK\$7.5 million and HK\$0.8 million for the six months ended 30 September 2020 and 2019 respectively. The increase in other income was attributable to Government subsidies granted under the anti-epidemic fund.

Staff costs

Staff costs amounted to approximately HK\$18.4 million and HK\$23.4 million for the six months ended 30 September 2020 and 2019 respectively. The decrease in staff costs was mainly due to the reduced working days as a result of the outbreak of COVID-19 and the temporary closure of medical aesthetic centres of the Group.

Rental and related expenses

Rental and related expenses amounted to approximately HK\$0.8 million and HK\$2.0 million for the six months ended 30 September 2020 and 2019 respectively, which comprised of rental payments of short-term leases, management fees, rates and government rent and license fees for our medical aesthetic centres and retail/service outlets. The decrease was mainly due to the closures of retail/service outlets and inclusion of COVID-19-related rental concessions as set out in note 3 of the Notes to the Condensed Consolidated Financial Statements.

Depreciation of property, plant and equipment

Depreciation expenses amounted to approximately HK\$5.8 million and HK\$4.0 million for the six months ended 30 September 2020 and 2019 respectively. The increase was mainly due to the additions of the property, plant and equipment such as leasehold improvements and treatment devices during the previous financial year.

Depreciation of right-of-use assets

The Group recorded depreciation of right-of-use assets of approximately HK\$8.5 million and HK\$6.9 million for the six months ended 30 September 2020 and 2019 respectively. The increase was mainly due to the increased number of leases for new medical aesthetic centres.

Other expenses

Other expenses amounted to approximately HK\$16.4 million and HK\$15.1 million for the six months ended 30 September 2020 and 2019 respectively, which mainly represented consultancy fee to doctors, card commission expenses, marketing and promotion expenses and other operating and administrative expenses. The increase was primarily due to the increment in promotional campaigns such as outdoor advertising and advertising on various social media platforms to improve the brand awareness so as to maintain the business scale and gain market share.

Loss for the period

The Group recorded a net loss of approximately HK\$14.4 million for the six months ended 30 September 2020 (six months ended 30 September 2019: net loss of approximately HK\$4.3 million). This was mainly due to the decrease in revenue as a result of the temporary closure of medical aesthetic centres of the Group for periods of totalling 72 days during the six months ended 30 September 2020 in accordance with the disease prevention measures and arrangements under the Prevention and Control of Disease Ordinance (Cap. 599F).

Capital structure, liquidity and financial resources

On 15 October 2018 (the “**Listing Date**”), the shares of the Company were listed on GEM by way of share offer. Please refer to the Company’s prospectus dated 28 September 2018 (the “**Prospectus**”) for more details of the share offer. The net proceeds from the share offer were approximately HK\$31.6 million, which was based on the share price of HK\$0.28 per share and the actual expenses related to the share offer. The Company believed that the funding from the share offer on the GEM would allow the Group to access the capital market for raising funds in the future. There has been no change on the capital structure of the Group since the Listing Date and up to the date of this report. The capital of the Company only comprises of ordinary shares.

The total equity of the Group as at 30 September 2020 was approximately HK\$24.5 million (31 March 2020: approximately HK\$38.9 million). The Group generally finances its operation with internally generated cash flows. The Group had bank balances and cash of approximately HK\$39.7 million as at 30 September 2020 (31 March 2020: approximately HK\$39.2 million). The Group had total outstanding debts of HK\$87.2 million as at 30 September 2020 (31 March 2020: approximately HK\$56.7 million), which comprised lease liabilities amounting to HK\$62.1 million (31 March 2020: approximately HK\$42.3 million) and bank borrowings amounting to approximately HK\$25.1 million (31 March 2020: approximately HK\$14.4 million).

As at 30 September 2020, bank borrowings of HK\$17.4 million and HK\$7.7 million (31 March 2020: HK\$14.4 million and HK\$Nil) will mature within one year and in the second year or above respectively. The interest rates of the bank borrowings are ranging from 2.25% to 4.25% (31 March 2020: 2.25% to 4.25%).

As at 30 September 2020, lease liabilities of HK\$15.7 million, HK\$15.2 million and HK\$31.2 million (31 March 2020: HK\$11.8 million, HK\$8.5 million and HK\$22.0 million) will mature within one year, in the second year and in the third year or above respectively. The weighted average effective interest rate of the lease liabilities was 3.24% (31 March 2020: 2.7%).

Capital expenditures

The Group purchased property, plant and equipment amounting to approximately HK3.4 million for the six months ended 30 September 2020 which comprised acquisition of treatment devices, furniture and fixtures and leasehold improvements (six months ended 30 September 2019: HK\$20.9 million).

Interim dividend

The Board did not recommend a payment of dividend for the six months ended 30 September 2020 (six months ended 30 September 2019: Nil).

Employees and remuneration policies

As at 30 September 2020, the Company had a total of 117 employees (31 March 2020: 119). The Company's remuneration policies are in line with the prevailing market practice and are determined on the basis of performance, qualification and experience of individual employee. The Company recognises the importance of a good relationship with its employees. The remuneration payable to its employees includes basic salary, commission, discretionary bonus and retirement benefit scheme contributions.

Principal risks and uncertainties

The Group's financial condition, results of operations, and business prospects may be affected by a number of risks and uncertainties directly or indirectly pertaining to the Group's business. The following are the key risks and uncertainties identified by the Group.

Government policies risk

Following certain adverse incidents in relation to the beauty service industry in recent years, the Hong Kong Government has been reviewing the existing legal framework and considering tightening its supervision over the beauty service industry by promulgating certain laws and regulations to regulate, among other things, the types of medical aesthetic procedures that should be performed by registered medical practitioners.

There is no assurance that the Hong Kong Government will not impose more stringent laws, rules, regulations or industry standards in connection with the provision of medical aesthetic services. Any change in the regulatory framework may render it more restrictive for us to conduct our business. There is also no assurance that we will be able to adapt to such changes in a timely manner. In addition, compliance with such new laws, rules, regulations or industry standards may significantly increase our operating costs, which may in turn lower our profit margins. Any of the above-mentioned circumstances may materially and adversely affect our business, results of operations, financial condition and prospects.

Risk of adverse economic, social or political conditions

All of our business operations are based in and we derive all of our revenue from Hong Kong. Our business operations and the demand for our medical aesthetic services are therefore subject to the economic, social and political conditions in Hong Kong. Furthermore, any incidence of social unrest, strike, riot, civil disturbance or disobedience in Hong Kong may cause inconvenience to clients who wish to visit our medical aesthetic centres and weaken their desire or willingness to undergo medical treatments. Any of the above circumstances may have a material and adverse impact on our business, results of operations and financial condition.

Future plans for material investments and capital assets

As at 30 September 2020, the Group does not have any plans for material investments and capital assets.

Significant investments, material acquisitions and disposal of subsidiaries and capital assets

The Group did not have any significant investments, material acquisitions and disposals of subsidiaries and capital assets during the period.

Comparison of business objectives and strategies with actual business progress

An analysis comparing the business strategies contained in the Prospectus with the Group's actual business progress for the period from the Listing Date to 30 September 2020 (the "Relevant Period") is set out below:

Business strategies and implementation as stated in the Prospectus

Actual business progress up to 30 September 2020

| | |
|--|---|
| Capital expenditure and initial operating costs for establishing three New Medical Aesthetic Centres | The Group opened three new medical aesthetic Centres, namely Central Centre, CWB Centre 2 and TST Centre 2 in May 2019, June 2019 and January 2020 respectively. During the Relevant Period, the number of our employees increased from 76 to 117. The Group has also purchased sixteen laser treatment devices, three ultrasound treatment devices, four radiofrequency treatment devices and twenty one other ancillary treatment devices and equipment for the operation of the new centres. |
| Purchase prevailing treatment devices and treatment consumables | The Group has purchased ultrasound devices and treatment consumables to extend the spectrum of our treatment services offered in our medical aesthetic centres. |
| Renovate our CWB Centre and TST Centre | During the Relevant Period, the Group underwent renovation for its CWB Centre and TST Centre to maintain a comfortable ambience to enhance our clients' experience when visiting there. |
| Promotion of our brand | The Group actively participates in online marketing campaigns, including search engine marketing, search engine optimisation and social media marketing to further enhance its brand recognition during the Relevant Period. |
| Upgrade our business management system | During the Relevant Period, our business management system is enhanced which allows us to conduct customised data mining and analysis for our marketing initiatives and improves the efficiency of our financial reporting function as well as payroll calculation. |

Use of proceeds

On 15 October 2018, the shares of the Company were listed on GEM by way of share offer. The net proceeds received by the Company from the share offer, after deducting underwriting commission and professional expenses in relation to the share offer, amounted to approximately HK\$31.6 million, which were lower than the estimated net proceeds of approximately HK\$50.0 million as disclosed in the Prospectus. The Group intends to reduce the amount of net proceeds allocated for the respective purposes as disclosed in the Prospectus on a pro-rata basis. As at 30 September 2020, the Group has utilised HK\$31.6 million of the net proceeds from the share offer. The proceeds were applied based on the actual development of the Group's business and market conditions.

The use of the net proceeds as at 30 September 2020 was approximately as follows:

| | Actual use of proceeds from the date of the Listing to 30 September 2020 HK\$'000 | Unutilised amount as at 30 September 2020 HK\$'000 |
|--|--|---|
| Capital expenditure and initial operating costs for establishing three New Medical Aesthetic Centres | 20,100 | – |
| Purchase prevailing treatment devices and treatment consumables | 3,000 | – |
| Renovate our CWB Centre and TST Centre | 2,500 | – |
| Promotion of our brand | 2,500 | – |
| Upgrade our business management system | 600 | – |
| General working capital | 2,900 | – |
| Total | 31,600 | – |

Gearing ratio

The gearing ratio, which is based on the total amounts of total bank borrowings and lease liabilities divided by total equity, was 356.1% as at 30 September 2020 (31 March 2020: 145.9%).

Foreign exchange exposure and treasury policies

The Group carries out its business in Hong Kong and most of its transactions are denominated in Hong Kong Dollar. The Group did not experience any material impact or difficulties in liquidity on its operations resulting from the fluctuation in exchange rate, and no hedging transaction or forward contract arrangement was made by the Group during the six months ended 30 September 2020 and 2019. Nevertheless, the management will continue to monitor the Group's foreign exchange exposure and will take prudent measures as and when appropriate.

Contingent liabilities

As at 30 September 2020, the Group had no significant contingent liabilities (31 March 2020: Nil).

Financial risk management

Risk management is carried out by the Group's finance department under policies approved by the Board. The finance department identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides guidance for overall risk management and specific areas, such as market risk, interest rate risk, credit risk and liquidity risk.

Bank borrowings

As at 30 September 2020, the Group had unsecured and guaranteed bank borrowings of approximately HK\$11.6 million (31 March 2020: approximately HK\$0.9 million). As at 30 September 2020, the carrying amount of the secured and guaranteed bank borrowings was approximately HK\$13.5 million (31 March 2020: approximately HK\$13.5 million). The secured bank borrowings were secured by the payments for life insurance contracts as at 30 September 2020 (31 March 2020: same). As at 30 September 2020, the bank borrowings of HK\$13.7 million were guaranteed by the Company and HK\$11.4 million were guaranteed by personal guarantees from the Controlling Shareholders and HKMC Insurance Limited (31 March 2020: The entire bank borrowings of HK\$14.4 million were guaranteed by the Company).

Pledge of assets

Bank borrowings of approximately HK\$13.5 million (31 March 2020: approximately HK\$13.5 million) are secured by the payments for life insurance contracts of approximately HK\$20.2 million (31 March 2020: approximately HK\$19.8 million). As at 30 September 2020, the carrying amount of right-of-use assets included an amount of approximately HK\$4.6 million (31 March 2020: approximately HK\$5.3 million) representing treatment devices and an amount of approximately HK\$0.3 million (31 March 2020: approximately HK\$0.4 million) representing motor vehicle which were acquired under finance leases.

Subsequent events

Save for the impact of the outbreak of COVID-19 as detailed in note 16 of the Notes to the Condensed Consolidated Financial Statements, there was no significant event which took place after 30 September 2020.

CORPORATE GOVERNANCE AND OTHER INFORMATION

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the “**Shareholders**”) and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 15 to the GEM Listing Rules as its own code of corporate governance. The Company has complied with all applicable code provisions of the CG Code during the six months ended 30 September 2020 and up to the date of this report. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

COMPLIANCE WITH THE REQUIRED STANDARD OF DEALINGS IN SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the required standard of dealings set out in Rules 5.48 to 5.67 of the GEM Listing Rules as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries of all the Directors, each of the Directors has confirmed that he has complied with the required standard of dealings for the six months ended 30 September 2020.

AUDIT COMMITTEE AND REVIEW OF INTERIM RESULTS

The Company has established an audit committee (the “**Audit Committee**”) with written terms of reference in compliance with Rules 5.28 to 5.33 of the GEM Listing Rules and the CG Code. The Audit Committee comprises three members, namely Mr. Chan Sing Nun (chairman), Mr. Khoo Wun Fat William and Mr. Yu Chi Wing, all of them are independent non-executive Directors. The Audit Committee has reviewed with the management the accounting policies and practices adopted by the Group and discussed with the management internal control and financial reporting matters of the Company, including the review of the unaudited condensed consolidated results of the Group for the six months ended 30 September 2020 and the interim report. The Audit Committee is of the opinion that the unaudited condensed consolidated results of the Group for the six months ended 30 September 2020 comply with the applicable accounting standards, the GEM Listing Rules and legal requirements and that adequate disclosure has been made.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 September 2020, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

INTERESTS OF COMPLIANCE ADVISER

The Company has changed the compliance adviser from Innovax Capital Limited (“Innovax”) to Sorrento Capital Limited (“Sorrento”) as Innovax and the Company could not reach an agreement on the consideration of fee levels, effective on 9 May 2020. As notified by Sorrento, neither Sorrento nor any of its close associates and none of the directors or employees of Sorrento had any interest in the share capital of the Company or any member of the Group (including options or rights to subscribe for such securities, if any) which is required to be notified to the Company pursuant to Rule 6A.32 of the GEM Listing Rules as at 30 September 2020.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 September 2020, the interests or short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company under Section 352 of the SFO, or which were, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, notified to the Company and the Stock Exchange, were as follows:

Long position in the shares of the Company:

| Name of director/ chief executive | Capacity/Nature of interest | Number of Shares held (Note i) | Percentage of shareholding |
|--------------------------------------|--|--------------------------------------|-------------------------------|
| Mr. Yip | Interest in controlled corporation (Note ii) | 600,000,000 (L) | 75% |
| Ms. Fu | Interest in controlled corporation (Note ii) | 600,000,000 (L) | 75% |

Notes:

- (i) The letter "L" denotes the person's long position in the relevant Shares.
- (ii) All the issued shares of Equal Joy are legally and beneficially owned as to 50% by each of Mr. Yip and Ms. Fu. Accordingly, they are deemed to be interested in the 600,000,000 Shares held by Equal Joy by virtue of the SFO. Mr. Yip, Ms. Fu and Equal Joy together are a group of Controlling Shareholders of the Company.

Save as disclosed above, as at 30 September 2020, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which are required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or which shall be, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules, notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 September 2020, to the knowledge of the Directors, the following persons/entities (other than the Directors or chief executive of the Company) who had or were deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO were as follows:

| Name of shareholder | Capacity/Nature of interest | Number of Shares held (Note i) | Percentage of shareholding |
|----------------------------|------------------------------------|---|-----------------------------------|
| Equal Joy | Beneficial owner (Note ii) | 600,000,000 (L) | 75% |

Notes:

- (i) The letter "L" denotes the person's long position in the relevant Shares.
- (ii) All the issued shares of Equal Joy are legally and beneficially owned as to 50% by each of Mr. Yip and Ms. Fu. Mr. Yip, Ms. Fu and Equal Joy together are a group of controlling shareholders of the Company.

Save as disclosed above, as at 30 September 2020, the Directors were not aware of any other persons/entities (other than the Directors or chief executive of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

SHARE OPTION SCHEME

In order to incentivise and/or recognise and acknowledge the contributions that eligible persons have made or may make to the Group, the Company adopted the share option scheme pursuant to written resolutions of the Shareholders passed on 21 September 2018 (the “**Share Option Scheme**”). The Board may, at its discretion, offer to grant an option to any eligible persons.

Unless terminated by the Company by resolution in general meeting, the Share Option Scheme shall be valid and effective for a period of 10 years commencing from the date of adoption.

The purpose of the Share Option Scheme is to advance the interests of the Company and the Shareholders by enabling the Company to grant options to attract, retain and reward the eligible persons and to provide the eligible persons an incentive or reward for their contribution to the Group and by enabling such persons’ contribution to further advance the interests of the Group. The terms of the Share Option Scheme are in accordance with provisions of Chapter 23 of GEM Listing Rules.

No option has been granted, exercised, cancelled or lapsed under the Share Option Scheme since its adoption. The Company did not have any outstanding share options, warrants, derivatives or securities which are convertible or exchangeable into Shares as at 30 September 2020 and up to the date of this report.

DIRECTORS’ RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this interim report, at no time during the six months ended 30 September 2020 and up to the date of this report was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

During the six months ended 30 September 2020, and up to the date of this report, none of the Directors or their respective associates had engaged in or had any interest in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group and which requires disclosure pursuant to Rule 11.04 of GEM Listing Rules.

By Order of the Board
Fameglow Holdings Limited
Mr. Yip Chun Kwok Danny, MH
Chairman and Executive Director

Hong Kong, 10 November 2020

As at the date of this report, the executive Directors are Mr. Yip Chun Kwok Danny, MH and Ms. Fu Chi Ching; and the independent non-executive Directors are Mr. Chan Sing Nun, Mr. Khoo Wun Fat William and Mr. Yu Chi Wing.